

REMARKS

The present application includes pending claims 1-61, all of which have been rejected. By this Amendment, claims 1, 14, 17, 20, 35 and 55 have been amended as set forth above. The Applicant respectfully requests reconsideration of the claim rejections.

I. Rejections Under 35 U.S.C. § 101

Claims 1-61 stand rejected under 35 U.S.C. § 101 for a variety of reasons. First, the Office Action states that “claims 14-49 and 55-61 recite within its [sic] scope a human being (an order flow provider).” See November 7, 2007 Office Action at page 2. The Applicant respectfully submits, however, that the order flow provider is **not** a human being. For example, the present application at ¶ [0015] states “[a]t the OFP [order flow provider] 102, a mainframe 108 generates option orders that are transmitted over a network 110 to a server 112 at the market.” Additionally, independent claims 14 and 55 have been amended to clearly recite that the order flow provider is an electronic order flow provider. Thus, the Applicant respectfully requests reconsideration of this claim rejection.

Next, the Office Action rejects claims 1-61 under 35 U.S.C. § 101 by stating the following:

Claims 1-61 are deemed non-statutory **process** claims because they do not recite useful concrete and tangible result [sic]. **In particular** is asserted that since, the step of obtaining is a manual process and therefore subject to human judgment or “mental process” and since no standard (or basis) is provided for relating the potential cross quantity and potential cross price to the option order, correctness of the result cannot be assured. See *In re Comiskey*....

November 7, 2007 Office Action at page 2 (emphasis added). Initially, the Applicant points out that claims 14-19 and 55-61 are **not** process claims. Instead, these claims are system claims. Thus, for at least this reason, the Applicant respectfully requests reconsideration of this rejection with respect to claims 14-19 and 55-61.

Additionally, the Applicant notes that claim 1 has been amended to delete the “obtaining” step. Thus, the Applicant respectfully requests reconsideration of this rejection with respect to claims 1-13.

With respect to the Office Action’s reliance on *In re Comiskey*, that case focused on claims that “do not reference, and the parties agree that these claims do not require, the use of a mechanical device such as a computer.” *See In re Comiskey*, 499. F.3d 1365, 1368 (Fed.Cir. 2007). This is in stark contrast to the claims of the present application. Claims 1, 14 and 17 require, for example, an “electronic drop (EDrop) system.” Further, claims 14, 17, 35 and 55 require an “electronic order flow provider.” Further, claim 20 recites, in part, “**automatically** identifying ...” and “**automatically** obtaining ...”

Additionally, *In re Comiskey* states the following:

The Supreme Court has reviewed process patents reciting algorithms or abstract concepts in claims directed to industrial processes. In that context, the Supreme Court has held that a claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates on, transforms, or otherwise involves another class of statutory subject matter, i.e., a machine, manufacture, or composition of matter.

See id. at 1376. Claim 1 of the present application, for example, involves a “machine,” e.g., an EDrop system. Further, a “contra order based on the option order” is submitted “through the

EDrop system.” As such, claim 1, for example, clearly recites a machine that operates to submit the contra-order.

In re Comiskey also states that a “claim that involves both a mental process and one of the other categories of statutory subject matter (i.e., a machine, manufacture, or composition) may be patentable under § 101.” *See id.* at 1377. “However, mental processes—or processes of human thinking—standing alone are not patentable even if they have practical application.” *See id.* at 1377. Indeed, *In re Comiskey* goes on to state the following:

It is thus clear that the present statute does not allow patents to be issued on particular business systems—such as a particular type of arbitration—that depend **entirely** on the use of mental processes. In other words, the patent statute does not allow patents on particular systems that depend for their operation on **human intelligence alone**, a field of endeavor that both the framers and Congress intended to be beyond the reach of patentable subject matter. Thus, it is established that the application of human intelligence to the solution of practical problems is not **in and of itself** patentable.

See id. at 1378-79 (emphasis added).

None of the pending claims, however, “depend **entirely** on the use of mental processes;” nor are any of the pending claims based on mental processes or human intelligence **standing alone**. For example, claim 1 requires an EDrop system that “**contemporaneously** receives a copy of the option order,” and which “submit[s] a contra-order based on the option order.” In short, contra-orders are generated electronically to catch up with original orders that are routed to an exchange. As a side note, a human is not able to provide an option order to a market and contemporaneously provide a copy of that order to another location (e.g., a human cannot be in two places at once). Claims 14, 17 and 55 require an “electronic order flow provider for

generating” an order, a “market” that receives the order, and an “EDrop system” or “server” that “submits a contra-order.” Claim 20 requires “**automatically** identifying ...” and “**automatically** obtaining ...,” two steps that, by definition, are not “manual” or based on human intelligence alone. Similarly, claim 35 recites “automatically submitting ...”. Thus, for at least these reasons, the Applicant respectfully requests reconsideration of the claim rejections.

The Office Action asserts that claim 1 “does not produce concrete, tangible, and useful result [sic] because nothing is stated in the claim to the effect that the EDrop server... generates a contra order based upon... the cross quantity and the price.” *See* November 7, 2007 Office Action at page 4. However, claim 1 specifically recites, in part, “submitting a contra-order based on the option order **through the EDrop system** to the market for fulfillment.” Thus, for at least this reason, the Applicant respectfully requests reconsideration of the claim rejection.

Additionally, the Office Action claims that “all steps [of claim 20] are performed manually.” *See id.* at page 4. The Applicant respectfully disagrees. Claim 20 specifically recites, for example, “**automatically** identifying ...,” and “**automatically** obtaining ...”. Thus, for at least this reason, the Applicant respectfully requests reconsideration of the claim rejections.

The Office Action contends that the claims do not produce a useful, concrete and tangible result. *See* November 7, 2007 Office Action at pages 3-4. In general, however, the Applicant respectfully submits that each of the pending claims recites a useful, concrete and tangible result, and therefore satisfies 35 U.S.C. § 101. While it is true that an abstract idea by itself does not satisfy the requirements of 35 U.S.C. § 101, an abstract idea when practically applied to produce a useful, concrete and tangible result does satisfy the statute. *See, e.g., In re Alappat*, 31 USPQ2d

1545, 1558 (Fed. Cir. 1994); *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 47 USPQ2d 1596, 1601-02 (Fed. Cir. 1998). In the present application, the inventions described by the pending claims produce various useful, concrete and tangible results, including providing an intermediary (such as a trader using the EDrop system) with copies of options orders destined for a market. Further, automatic generation of a contra-order based on an order is clearly a useful, concrete and tangible result, which is specifically recited in the body of each independent claims. In particular, the contra-order is generated to match a seller to a buyer, or vice versa. In general, **the inventions described in the pending claims allow individuals and organizations outside of the market to meaningfully participate in trading.** Thus, the Applicant respectfully requests reconsideration of the rejection of claims 1-61 under 35 U.S.C. § 101.

II. Rejections Under 35 U.S.C. § 112, Second Paragraph

Claims 1-61 also stand rejected under 35 U.S.C. § 112, second paragraph, for similar reasons as with respect to 35 U.S.C. § 101. *See* November 7, 2007 Office Action at page 5. Thus, the Applicant respectfully traverses these rejections for at least the reasons discussed above.

Further, the Office Action states that the “claim fails to specify where the potential cross quantity and potential cross price are obtained from.” *See id.* at page 5. However, the Office Action provides no authority for the proposition that a **method claim** requires recitation of structure as to where such a limitation is “obtained from.” Indeed, the Applicant is not aware of any authority that mandates that the claims require such limitations. If this rejection is maintained, the Applicant respectfully requests a specific citation to relevant authority requiring such language in a claim in order to satisfy 35 U.S.C. § 112, second paragraph.

Similarly, while the Office Action states that the “claim fails to specify what attributes of the option orders are being relevant to the ‘potential cross quantity and a potential cross price... [and] the time frame in which the contra-order is submitted to the market’” (*see id.* at page 5), the Office Action provides no authority that the claims requires such limitations. Indeed, the Applicant is unaware of any authority that mandates that the claims require such limitations. If this rejection is maintained, the Applicant respectfully requests a specific citation to relevant authority requiring such language in a claim in order to satisfy 35 U.S.C. § 112, second paragraph.

For at least these reasons, the Applicant respectfully requests reconsideration of the claim rejections under 35 U.S.C. § 112, second paragraph.

The Applicant also notes that the Manual of Patent Examining Procedure states the following:

When the examiner is satisfied that patentable subject matter is disclosed, and it is apparent to the examiner that the claims are directed to such patentable subject matter, he or she should allow claims which define the patentable subject matter with a reasonable degree of particularity and distinctness. Some latitude in the manner of expression and the aptness of terms should be permitted even though the claim language is not as precise as the examiner might desire.

See MPEP at § 2173.02 (emphasis in original). If this rejection is maintained, the Applicant respectfully requests a suggestion for an amendment, as the MPEP encourages. *See id.* (“Examiners are encouraged to suggest claim language to applicants to improve the clarity or precision of the language used, but should not reject claims or insist on their own preferences if other modes of expression selected by applicants satisfy the statutory requirement.”).

III. Walker Does Not Render Claims 1-61 Unpatentable

The Applicant now turns to the rejection of claims 1-61 under 35 U.S.C. § 103(a) as being unpatentable over “How the Options Markets Work,” Joseph A. Walker (1991) (“Walker”). Walker relates to a general discussion of equity options strategies. Walker discusses principles, theories and ideas regarding straddles (pp. 80-82), strips (pp. 83-84), combinations (pp. 84-86), and spreads (pp. 86-102). In short, Walker describes various types of option trading strategies. However, Walker does not describe, teach or suggest at least the following: (1) “contemporaneously receiving a copy of the option order at an *electronic drop (EDrop) system*,” (2) “obtaining a potential cross quantity and a potential cross price based on the option order *at the EDrop system*,” or (3) “submitting a contra-order based on the option order through the EDrop system to the market for fulfillment.” These limitations are nowhere to be found in Walker.

Walker does not describe, teach or suggest, submitting a contra-order to a market through an EDrop system or any other system. The Office Action cites the example shown in the Straddles section (p. 80) as evidence of a contra-order. Initially, the Applicant notes that there is absolutely no mention of an EDrop system in Walker (nor for that matter, any mention of a system networked to a market and an order flow provider). Thus, for at least this reason, claims 1-19 and 35-61 of the present application should be in condition for allowance. **Further, the example the Examiner cites is not a contra-order.** Rather, the example shows two orders by the same individual, who is attempting to hedge bets with respect to market volatility. In particular, Walker states:

An investor has made a careful study of the trading pattern of Walt Disney stock. She feels that the stock is about to experience a major move in price. But she is not sure in which direction, up or down, this price move will occur. A long straddle might enable her to implement her theory. She might “put on” the following long straddle (options people use the term “put on” not buy.)

Buy 1 Disney Dec 130 Call – Premium 10

Buy 1 Disney Dec 130 Put – Premium 6 ½

Walker at p. 80. In other words, the investor in the above example submits two separate orders, but not a contra-order. A contra-order is the opposite of the originally received option order. In the above example, the investor submits an option order of “Buy 1 Disney Dec 130 Call – Premium 10,” and another option order of “Buy 1 Disney Dec 130 Put – Premium 6 ½.” However, these are two separate orders, but not contra orders. The contra-order of a “buy call” is a “sell call” and vice versa. In particular, the specification of the present application states the following:

Thus, when the option order is a buy call, the contra-order will be a sell call, when the option order is a sell call, the contra-order will be a buy call. Similarly, when the option order is a buy put, the contra-order will be a sell put, when the option order is a sell put, the contra-order will be a buy put.

See present application at ¶ [0008]. In the example shown above in Walker, the investor submits two buy calls, **but not a contra-order of either**. For example, the contra-order of “Buy 1 Disney Dec 130 Call” would be “Sell 1 Disney 130 Call,” but not “Buy 1 Disney Dec 130 Put,” as shown in the Walker example. Overall, Walker simply does not describe, teach or suggest a contra-order.

Even if one were to assume that the second order was not an order, it could not be considered a contra-order due to the fact that it is at a different price from the first order. Strips

are even less similar to contra-orders because a “strip consists of two puts and one call on the same stock,” both of which are purchased (i.e., ordered) by a client. *See* Walker at p. 83. Further, as discussed above, Walker simply does not describe, teach, or suggest the use of an EDrop system, server, or any other such device to submit a contra-order to the market.

For at least the reasons discussed above, Walker does not describe, teach or suggest at least the following:

- “contemporaneously receiving a copy of the option order at **an electronic drop (EDrop) system**,” as recited in independent claim 1;¹
- “submitting a **contra-order based on the option order** through the **EDrop system** to the market for fulfillment as recited in independent claim 1;
- “an **electronic order flow provider** for generating an” order, as recited in independent claims 14, 17 and 55;
- “a market in communication with the **electronic order flow provider through a network**,” as recited in independent claims 14, 17 and 55;
- “an **electronic drop (EDrop) system** connected to the **electronic order flow provider**,” as recited in independent claims 14 and 17;
- “the EDrop system receiving a copy of the option order at **substantially the same time**

¹ Indeed, the Office Action admits that “Walker fails to teach that the contra-order is submitted through an electronic drop system....” *See* November 7, 2007 Office Action at page 7. In an attempt to overcome this deficiency, the Office Action states that “official notice is taken that trading and submitting an option order is old and well known.” *See id.* This Official Notice does not, however, overcome the acknowledgement that “Walker fails to teach that the contra-order is submitted through an **electronic drop system**.” Thus, the Office Action has not established a *prima facie* case of obviousness.

as the market receives the option order from the electronic order flow provider,” as recited in independent claims 14 and 17;

- “wherein the **EDrop system submits a contra-order** based on the option order to the market for fulfillment,” as recited in independent claims 14 and 17;
- “contemporaneously receiving information regarding the order at a server,” as recited in independent claim 20;
- “**automatically** identifying contract elements in the order,” as recited in independent claim 20;
- “**automatically** obtaining a contra-order based on the order at the server,” as recited in independent claim 20
- “transmitting information regarding an order from an **electronic order flow provider** to a **first server**,” as recited in independent claim 35;
- “**automatically submitting** a contra-order based on the order to at least one of the **first server and a second server** within the market for fulfillment,” as recited in independent claim 35; or
- “a **server** in communication with the **electronic order flow provider** and the market, ... wherein the server **submits** a contra-order based on the order to the market for fulfillment,” as recited in claim 55.

Thus, for at least these reasons, Walker does not render any of the pending claims unpatentable.

IV. Conclusion

In general, the Office Action makes various statements regarding claims 1-61 that are now moot in light of the above. Thus, the Applicant will not address such statements at the present time. The Applicant expressly reserves the right, however, to challenge such statements in the future should the need arise (e.g., if such statements should become relevant by appearing in a future rejection).

The Applicant respectfully requests that the outstanding rejections be reconsidered and withdrawn for at least the reasons set forth above. If the Examiner has any questions or the Applicant can be of any assistance, the Examiner is invited to contact the undersigned attorney for Applicant.

While no fee is believed due with respect to this Amendment, the Commissioner is nevertheless authorized to charge any necessary fees, or credit any overpayment to the Deposit Account of McAndrews, Held & Malloy, Account No. 13-0017.

Respectfully submitted,

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